IFPR: MIFIDPRU annual disclosures

Pyrford International Limited

For the year ended 31 December 2022

Introduction

Purpose and Background

Purpose

This document sets out Pyrford’s public disclosures in relation to Risk Management, Governance Arrangements, Own Funds and Own Funds Requirements as required under MIFIDPRU as at 31 December 2022.

Background

The Investment Firms Prudential Regime (“**IFPR**”) came into effect on 1 January 2022 as a new regime for UK firms authorised under the Markets in Financial Instruments Directive (**MiFID**). The IFPR was implemented by the FCA as prudential regulation within “MIFIDPRU”, which seeks to address the potential harm posed by investment firms to their clients and the markets they operate in. MIFIDPRU disclosure requirements improve transparency for market participants into how firms are run.

Contents of the disclosures:

Basis of Disclosures

Scope and Application of disclosures

The disclosures in this document relate to Pyrford. Pyrford is a non-SNI MIFIDPRU Investment firm, incorporated in England and authorised by the FCA. Pyrford is part of the Columbia Threadneedle Investments UK International Limited Group (the “**Group**”). The Group forms part of the broader Columbia Threadneedle Investments, which is the global brand name of the Columbia and Threadneedle group of companies, which form the asset management segment of Ameriprise Financial, Inc.

Pyrford is required to disclose on an individual entity basis and these disclosures have been prepared in line with the requirements described in MIFIDPRU 8, taking account of the FCA’s transitional provisions (“**TP**”) for disclosure requirements contained in MIFIDPRU TP12, which limit requirements to Risk Management, Governance, Own Funds, Own Funds, Requirements and Remuneration disclosures under a consolidated basis as per article 450 of the UK CRR. Pyrford is not required to disclose Investment policy.

These disclosures are published at least on an annual basis in line with the annual publication of Pyrford’s audited financial statements, with reference date of 31 December 2022. Revised disclosures will be published should significant changes occur to Pyrford’s business model. None of the disclosures have been audited and they have been produced solely for the purposes of satisfying the MIFIDPRU requirements.

These disclosures are published on the Columbia Threadneedle Investments website:
https://www.columbiathreadneedle.com/en/disclosures/

Risk management objectives and policies

Our service offering is built on a strong control environment, dependable processes and an effective framework to manage the risks we face. Good Governance and management control is fundamental to the success of our operations, supporting prudent and measured risk-taking, while striking a balance between risk and return.

Risk- taking and risk management activities are guided by our Risk Principles:

- management of risk is a responsibility at all levels of the organisation;
- material risks to which the enterprise is exposed must be identified, measured, managed, monitored and reported;
- risk identification and measurement will include both qualitative and quantitative elements. This includes views of risk relative to the external operating environment and stress testing and scenario analysis;
- decision-making is based on a clear understanding of risk, supported by robust management information and analysis.

Our risks are typical to those of investment managers and primarily fall under the categories of financial risk, operational/business risk and strategic risk. It is important to note that all risks are monitored and managed as part of a governance and risk management framework which is consistently applied across all firms within the Group. The governance of the Company is implemented and overseen by the Board of Pyrford International Limited ("**the Board**"), a direct subsidiary of Columbia Threadneedle Investments UK International Limited, the parent company of the Group. Pyrford's risk management objectives and policies for the categories of risk addressed by MIFIDPRU 4, 5 and 6 are described in the following pages.

Risk management roles and responsibilities within Pyrford

Timely and transparent information sharing is key to how we engage stakeholders in material decisions and strategy discussions, thereby bringing rigour and discipline to decision making. This leads to the timely identification, escalation, and resolution of issues. It also encourages open communication, independent challenge and a clear understanding of the key risks faced by our organisation. Thus, ensuring that our employees are equipped and empowered to make decisions and take action in a coordinated and consistent manner, supported by a strong monitoring and control framework. The head of our operational risk management function is an independent senior manager. They or an alternate present to the Pyrford Risk and Compliance Committee, Executive Committee and Board as required. Risk functions also chair or are members of risk Committees within the wider ICARA Group which support Pyrford, such as the Counterparty Credit Committee.

The Pyrford Executive Committee (“**ExCo**”) is responsible for the day-to-day management of Pyrford in line with the strategy, business plan, budget and other Group or shareholder initiatives. It also approves the mandate of the Pyrford Risk and Compliance Committee (“**RCC**”). The RCC has responsibility for risk and regulatory oversight and receives reporting relating to relevant risk and compliance matters at each meeting including risk events, risk issues and any escalations from other meetings. The ExCo receives copies of the RCC minutes and any significant issues are escalated to the ExCo and also to the Pyrford Board as appropriate. The ExCo also receives regular reporting from the finance function regarding capital and liquidity.

Group Risk Appetite

Put simply, risk appetite is the level of risk we are prepared to accept in pursuit of our objectives. In doing so, we will aim to minimise the harms that we may cause our clients, the market and our firm as a result of our business model and the inherent risks arising from our activities.

The Group maintain a cautious approach to risk to ensure that it remains sufficiently liquid and capitalised. While our primary strategic objective is to meet clients' objectives, our approach is measured to ensure best possible performance while remaining within our defined risk appetite.

The Risk Appetite Statement:

- reflects the strategic direction of the Group;
- is aligned to the key risks faced by the Group;
- details / defines both qualitatively and quantitatively the amount of risk that the Group is willing to accept when carrying out its business and in the pursuit of its business objectives;
- is supported by maximum risk tolerance levels by risk category and appropriate risk measures and limits.

Where any risk is assessed to be in excess of risk appetite, either a specific risk management action plan is put in place and subject to review by the Group Board or they may choose to continue to monitor or change their tolerance for the risk.

The Board, ExCo and Enterprise risk teams from our parent provide feedback on both the effectiveness of the risk management framework and also our performance against enterprise standards.

Own Funds Requirement (Risks to Clients, the Firm and the wider Market) - MIFIDPRU 4

The Own Funds Requirement in MIFIDPRU 4 require Pyrford to hold a minimum amount of Own Funds to address potential material harms arising from MiFID activities (through the K-factor requirement) and to minimise the potential material harms arising from a wind-down (through the Fixed Overheads Requirement). Pyrford's Own Funds Requirement is driven by its Fixed Overhead Requirement as at 31 December 2022. The table below summarises our risk profile and the potential for harms arising from our business strategy to either our clients, the wider market or the firm itself. High level descriptions of the processes and controls in place to mitigate and manage those harms to an acceptable level are also included. These help us manage our risks in line with our Group Risk Appetite Statement:

We aim to minimise the harms that we may cause our clients, the market and our firm as a result of our business model and the inherent risks arising from our activities.

Risks	Harms	Risk management and reduction of harms
Strategic Loss of Key Clients, Strategy Execution, Investment Performance, Change, Geopolitical	Firm, Client	Diversification and relationship management. Strategic planning, change, governance, approval and oversight processes. Independent monitoring teams.
Financial Liquidity, Credit, Market and Pension scheme	Firm, Client	Liquidity management policies and contingency arrangements. Market data, diversification and independent monitoring. Specialist advice.
Operational Processing Errors, Fraud, Regulatory, Legal, Human Resources, Information Technology, Resilience, Third Party Dependency.	Firm, Client, Market	Timely management information and escalation, training and monitoring. Mandate compliance monitoring. Verification processes, user access controls, segregation of duties and authority limits. Contractual agreements. Enterprise policies and protocols. Specialist support teams and external resources. Business's impact analysis, recovery plans and disaster recovery testing. Vendor oversight and risk assessment.

Concentration risk - MIFIDPRU 5

Pyrford does not operate a trading book or deal on own account and therefore it has no concentration risk exposures as defined in MIFIDPRU 5.3 to 5.10. However, Pyrford is exposed to concentration risk relating to fee revenues associated with key clients and when Pyrford's own cash is held on deposit with banks. Diversifying our client base further through winning new business, together with our client relationship functions who work to ensure we continue to meet clients' objectives and provide them the level of service they require helps to mitigate concentration risk and the potential financial harm it can cause the firm. Any deposit concentration risk is managed in accordance with diversification and counterparty limits in order to reduce the financial harm it could cause the firm.

Concentration risk is considered within the ICARA process in stress tests and capital planning scenarios.

Liquidity risk - MIFIDPRU 6

Liquidity risk may arise as a result of Pyrford being unable to meet its obligations as they fall due, either because of an inability to liquidate assets or only doing so by incurring unacceptable losses. Any potential financial harms to the entity and any impact to clients including vendors and outsourced providers are mitigated by the fact that Pyrford maintains cash reserves in excess of regulatory liquidity / capital requirements. Pyrford is also subject to ongoing monitoring and managed in line with ICARA requirements, under which it is also subject to robust stress testing.

Governance Arrangements

Management Committee

The Board is the management body responsible for defining, overseeing and implementing governance arrangements within Pyrford. The Board meets at least four times per calendar year.

The Board is responsible for supervising the effective and prudent management of the business and for ensuring Pyrford has a robust corporate governance structure with well-defined, transparent and consistent lines of accountability. This includes oversight of Pyrford's risk framework and internal controls. It also includes segregation of duties within the business and the identification and management of conflicts of interest.

The Board acts in the best interests of Pyrford and in a way to promote the integrity of the market and the interests of clients. The Board is directly accountable to the shareholder, but must also consider the interests of its customers, employees and other stakeholders.

The Board does rely on certain Group functions to manage, monitor and analyse key areas of responsibility, but gains sufficient information to discharge its duties. Pyrford does have a separate Risk and Compliance Committee and the Board may delegate review and monitoring to other Committees established for specific purposes.

Pyrford, through the Board, adopts, as applicable, Ameriprise Corporate Policies. The Board may also rely on the advice, reports and opinions of consultants, counsel, accountants, auditors and other expert advisers

Governance Arrangements

Directorships

Pyrford maintains a record of the number of directorships (executive and non-executive) held by each member of the Board. The following directorships are not within the scope of this disclosure requirement and are therefore not disclosed:

- **Executive and non-executive directorships** held in organisations which do not pursue predominantly commercial objectives (e.g., charitable organisations).
- **Executive and non-executive directorships** held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding.

The table below sets out the number of external directorships, as prescribed by MIFIDPRU 8.3.2R, held by members of the Pyrford Board as at 31 December 2022.

Name of Director	Position within the Company	Number of directorships*
Antony Cousins	Chief Executive Officer, Chief Investment Officer	0
Lars Nielsen	Director	0
Nora O'Mahony	Director and Chair	0
David Logan	Director	0
Stewart Bennett	Director	0
William Davies	Director	0

*Number of external directorships held by the management body which pursue predominantly commercial objectives

Governance Arrangements

Diversity

The board of directors of the Company believes that a board made up of highly qualified directors from diverse backgrounds who reflect the changing population demographics of the markets in which Pyrford operates, the talent available with the required expertise and Pyrford's evolving customer and employee base, promotes better corporate governance.

In reviewing its composition, the Board will consider the benefits of having a broad range of views, experiences, skills, backgrounds and values represented on the Board. To support this, the Board will, when identifying candidates for appointment to the Board:

a) consider only candidates who are highly qualified based on their experience, functional expertise, and personal skills and other qualities of directors;
b) consider diversity criteria including gender, age, nationality, ethnicity and educational and professional background; and
c) where appropriate, in addition to its own search, engage qualified independent external advisors to conduct a search for candidates that meet the Board's skills and diversity criteria to help achieve its diversity aspirations.

All Board appointments are made on merit, judged against a set of objective criteria with regard to the requirement for diversity on the Board.

Pyrford's Own Funds

Pyrford's Own Funds have been calculated in accordance with the requirements set out in MIFIDPRU 3. Profits are only included within retained earnings once they have been verified by an independent auditor.

The following tables below, in compliance with MIFIDPRU disclosure requirements, disclose:

- Composition of regulatory Own Funds
- Reconciliation of regulatory Own Funds to balance sheet in the audited financial statements
- Main features of own instruments issued by the firm.

The tables are based on Pyrford's Annual Report and Financial Statements for the year ended 31 December 2022.

Table 1 – Composition of regulatory Own Funds

The table below on the Composition of Regulatory Own Funds is based on Pyrford's Financial Statements as at 31 December 2022:

No.	Item	Amount (£'000)	Source [2]
1	**Own Funds**[1]	**54,564**	
2	**Tier 1 capital**	**54,564**	
3	**Common Equity Tier 1 capital**	**54,564**	
4	Fully paid-up capital instruments	6,000	Note 16
5	Share premium	-	
6	Retained earnings	49,288	
7	Accumulated other comprehensive income	-	
8	Other reserves	307	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) Total deductions from Common Equity Tier 1	(1,031)	Note 12
19	CET1: Other capital elements, deductions and adjustments	-	
20	**Additional Tier 1 capital**	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) Total deductions from Common Equity Tier 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
25	**Tier 2 capital**	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) Total deductions from Tier 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

[1] Own Funds include audited profits per financial statements for the year ended 31 December 2022.

[2] Source based on reference numbers/letters of the balance sheet in the audited financial statements

Table 2 – Reconciliation of regulatory Own Funds to the balance sheet in the audited financial statements

The table below shows a reconciliation between Own Funds and the entity’s balance sheet in the audited financial statements as at 31 December 2022, where the assets and liabilities have been identified by their respective classes.

OF2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the audited Financial Statements, as at 31 December 2022 (£’000)				
Item		A	B	C
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross reference to template OF1**
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Cash and cash equivalents	50,382		
2	Due from banks and similar financial institutions	10,000		
3	Other assets	7,448		
4	Deferred tax assets	1,031		Item 11
5	Premises and equipment	875		
	Total Assets	**69,736**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Other liabilities	14,141		
	Total Liabilities	**14,141**		
Shareholders' Equity				
1	Share capital	6,000		Item 4
2	Other reserves	307		Item 8
3	Retained earnings	49,288		Item 6
	Total Shareholders' Equity	**55,595**		

Table 3 – Main features of own instruments issued by the firm

The following table shows information on the Common Equity Tier 1 instruments issue by Pyrford.

Issuer	Pyrford
Public or private placement	Private
Instrument type	Ordinary share
Amount recognised in regulatory capital (£'000, as at 31 December 2022)	6,000
Nominal amount of instrument	6,000,000
Issue price	£1 each
Accounting classification	Called up and fully paid

Own Funds requirement

Pyrford's Own Funds requirement, calculated in accordance with the requirements set out in MIFIDPRU 4, is the higher of:

a. permanent minimum capital requirement, which for Pyrford is £75,000;

b. total K-Factor requirement, which is the aggregate of activities-based capital requirements; and

c. the Fixed Overheads Requirement ("**FOR**"), which amounts to 25% of its most recently audited annual expenditure less permitted deductions.

Own Funds requirement	£'000
A. Permanent Minimum Requirement	75
B. FOR	3,321
Sum of K-AUM, K-CMH and K-ASA	1,682
Sum of K-COH and K-DTF	38
Sum of K-NPR, K-CMG, K-TCD and K-CON	-
C. Total K-Factor requirements	1,720
Own Funds Requirement (higher of A, B and C)	**3,321**

Meeting the overall financial adequacy rule ("**OFAR**")

As prescribed by MIFIDPRU 7.4.7 Overall Financial Adequacy Rule ("**OFAR**") a firm must, at all times, hold Own Funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

I. Pyrford is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
II. Pyrford's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The Company prepares an ICARA annually or more frequently as required. The ICARA assesses whether the Group and its subsidiaries including Pyrford hold adequate Own Funds required under MIFIDPRU 7.6.2R.

The ICARA ensures that the Group and its subsidiaries have appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from:

A. ongoing operation of its business and
B. winding down its business.

The Own Funds Threshold Requirement ("**OFTR"**) and LATR in addition to Basic Liquid Asset Requirement is calculated as the higher of these two assessments as noted under A and B above and represents how much additional capital or liquid assets may be necessary to address any potential residual impacts to comply with the OFAR.

The Group performs independent assessment and employs other quantitative tools such as stress testing and scenario analysis for this purpose as part of the ICARA process. The Group's allocation of Own Funds Requirement to Pyrford assesses the potential harms that are applicable to clients, the market and the firm through scenario-based assessment. Some examples of situations that may result in harms to clients include trading error, mandate breach, misselling, failure of an outsourced service provider/vendor. Other examples of harm to firm include loss of significant clients, failure in IT infrastructure, internal fraud. Pyrford is a non-SNI firm and is not considered to be large enough to cause systemic disruption to the market as a whole and is therefore unlikely to cause harm to the market. The Group ICARA report is updated and formally reviewed, challenged and approved by the Group's Board on an annual basis, with key requirements and calculations as they relate to Pyrford, being reported to the Pyrford Board. The ICARA will be updated more frequently should fundamental changes to the business require it.

Remuneration disclosures

Decision making process for remuneration policy

The Compensation and Benefits Committee (“the Committee”), on behalf of the Ameriprise Financial Board of Directors, oversees Columbia Threadneedle Investments’ strategies and policies related to human capital management, including talent development, diversity, equity and inclusion, and employee engagement.

The Committee’s oversight responsibilities include Pyrford. All Committee members are independent.

Role of the relevant stakeholders

The Committee oversees the incentive compensation plans and practices in place throughout Columbia Threadneedle Investments, to the extent and in the manner set forth in relevant regulatory guidance or rules, especially with respect to whether such plans and practices create risks that are reasonably likely to have a material adverse effect on Columbia Threadneedle Investments.

The Pyrford Board of Directors undertake annual reviews of the implementation of their compensation policies to ensure that they comply with the UK Financial Conduct Authority Remuneration Code.

Code Staff Criteria

Columbia Threadneedle Investments incorporates the BIPRU Remuneration Code (SYSC 19C.3.4) in its identification framework to identify Code Staff whose professional activities have a material impact on the risk profile of the firm. The criterion comprises the following categories:

- Senior management;
- Risk-takers;
- Staff engaged in control functions; and
- Any employee receiving total compensation that takes them into the same compensation bracket as senior management and risk-takers, whose professional activities have a material impact on the firm's risk profile.

Design and structure of compensation and link to performance for Code Staff

The Columbia Threadneedle Investments approach to compensation is based on a "pay for performance" philosophy. The practices are designed to effectively balance the core compensation principles:

- Link compensation to Columbia Threadneedle Investments performance: Remuneration design and implementation, as implemented by Columbia Threadneedle Investments, aligns with Columbia Threadneedle Investments' strategic priorities and purpose and links to both Columbia Threadneedle Investments and business performance;
- Attract and retain talent: Compensation helps attract and retain talented people and motivates them to excel to achieve objectives;
- Align with prudent risk-taking: Compensation structures do not encourage excessive risk- taking and rewards appropriate use of capital. Senior management and material risk taking employees' variable pay can be clawed back or forfeited and a significant portion is deferred; and

- Encourage a long-term view to increase shareholder value: A significant portion of variable pay for senior management and material risk taking employees is allocated to long-term incentives, which are equity-based and deferred.

The alignment of compensation with risk is an important consideration in compensation plans. For this reason, mechanisms in compensation design are included to ensure risk is appropriately considered before incentive pools are finalised. These mechanisms include:

- Establishing the incentive pool based on performance against strategic objectives and annual financial goals which reflect provisions for credit, market liquidity and other risks;
- Depending on role and function, a significant portion of variable compensation is equity-based; and
- Having leadership, management bodies and professionals in human resources risk, compliance, and finance review variable incentive pools throughout the year and before finalising them.

Direct compensation is a combination of fixed pay elements and performance-related pay elements (short-term and long-term incentives). The performance-related pay is designed to reward the achievement of overall Columbia Threadneedle Investments, line of business and individual performance targets while managing risk.

Pyrford

Pyrford Code Staff are eligible to participate in Columbia Threadneedle Investments' incentive-based compensation plan, which has two components: 1) upfront compensation, and 2) deferred compensation. The incentive plan funding is based on actual business performance and is subject to adjustments for Columbia Threadneedle Investments performance, and risk management considerations.

Individual award allocations are based on achieving business and individual performance goals that are designed to reinforce Columbia Threadneedle Investments' and business's strategic priorities and values, qualitative measures used to assess how results were achieved, and adherence to risk management, compliance requirements and to the Columbia Threadneedle Investments' Code of Conduct. All Code Staff are eligible to participate in deferred compensation. A significant proportion of the total incentive award may be deferred over a period of three-to-five years based on the employee's level of total variable compensation.

The deferred element of Total Incentive awards for all employees will, dependent on role, be delivered through a combination of the following:

- Awards under the Ameriprise Financial Long-Term Incentive Award ("LTIA") programme;
- A fund deferral programme;
- The Sustained Growth Award ("SGA") programme which is designed to promote the longer-term success of the business based on Pyrford's performance against a set of performance measures and targets.

Control Functions

Compensation for Code Staff in control functions is tied to overall Columbia Threadneedle Investments performance and performance against individual goals.

These employees do not report into the businesses they support, nor does the success or final performance of business areas they support or monitor directly impact the assessment of their performance or compensation. This independence mitigates risk and encourages these employees to maintain their focus on Columbia Threadneedle Investments' overall success.

Code Staff in control functions are eligible to participate in the incentive-based compensation plan which has two components: 1) upfront compensation, and 2) deferred compensation. Funding of the upfront compensation incentive pool is based on Columbia Threadneedle Investments' performance against strategic objectives and annual financial goals. Funding also takes into account a risk review.

Individual award allocations are based on achieving individual performance goals that are designed to reinforce the Columbia Threadneedle Investments' priorities and values, qualitative measures used to assess how results were achieved and adherence to risk management, compliance requirements and to the Columbia Threadneedle Investments' Code of Conduct.

A significant portion of an employee's incentive award is deferred over a period of three years. Share-linked awards are designed to promote a greater alignment of interest between employees and shareholders of Columbia Threadneedle Investments.

Clawback and forfeitures

Clawback and forfeiture policies have been adopted in Columbia Threadneedle Investments' compensation programs to help mitigate current and future risks.

For all Pyrford and Control Functions, long-term incentive plan participants, Columbia Threadneedle Investments may, in its sole discretion, reduce or forfeit unvested deferred incentive awards depending on the severity of a risk event's impact to Columbia Threadneedle Investments or line of business financial performance or reputation, and individual accountability.

Remuneration tables for Code Staff

The following tables show the remuneration awards made in respect of the 2022 performance year. The disclosures are made in accordance with Article 450 of the Capital Requirements Regulation, the Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements standard and the EBA Guidelines on sound remuneration policies to the extent applicable to the 2022 performance year.

Remuneration for the financial year [1,2]		
	Senior Management	**Other Code Staff**
Number of individuals	7	8
Fixed remuneration (€'000)	1,137	1,068
Variable remuneration (€'000)	3,602	2,004
Total remuneration (€'000)	**4,739**[3]	**3,071**[3]

[1] "Senior management" means members of the Pyrford Board (executive Directors and non-executive Directors) in accordance with Article 3(9) of CRD IV. "Other Code Staff" includes all other identified Code staff in business areas, internal control functions and corporate functions.

[2] The table is prepared in Euros in accordance with Article 450 of the Capital Requirements Regulation. Data has been converted into Euros using the rates published by the European Commission for December of the reported year.

[3] There is a minor difference of €1k due to rounding.

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